

Domino's FY23 TRADING UPDATE & COST INITIATIVES

13 JUNE 2023

SUMMARY

- Domino's has taken steps to deliver material, near-term, cost savings, improving efficiency and building a stronger foundation for future growth. Immediate outcomes include:
 - 1. Closure of Domino's Denmark
 - 2. Optimising the corporate store network, through accelerated franchising and closure of ~65-70 underperforming corporate-owned stores
 - 3. <u>Delivering on the planned commissary closures</u> in South-East Asia, accelerated amortisation of legacy IT assets,
 - 4. <u>Streamlining core operations</u> to increase operational efficiencies
- The combined savings will <u>improve FY24 EBIT by ~\$25-30m</u>, with <u>these savings</u> <u>expected to increase over the next two years</u> as initiatives are completed
- Approximately one third of these savings are planned to be passed back to stores, as Management reinvests in the franchisee network base



SUMMARY - continued

- Non-recurring costs are expected to be in the region of \$80-93m
- Initiatives will provide annualised savings of \$53-59m(1)

Initiative	Non-recurring costs ⁽²⁾	Annualised Network savings
Danish Market Closure Costs	\$20-26m	\$12m
Optimising the corporate store network(3)	\$50-55m	\$16-20m
Planned commissary closures in SE Asia & legacy IT assets	\$10-12m	\$5-7m
Streamlining operations ⁽⁴⁾	To be determined	\$20m
Total	\$80-93m	\$53-59m

- (1) Annualised Network savings; approximately one third of these savings are planned to be passed back to stores, as Management reinvests in the franchisee network base
- (2) Non-recurring cost projections are Management's best-estimates. Cost projections are subject to variation, due to, for example, timing of initiatives and other factors beyond Management's control. They are anticipated in the FY23 and FY24 periods.
- (3) In addition, further non-recurring costs are anticipated during FY24, relating to streamlining of operations, which are to be determined
- (4) The benefits of this initiative will be fully realised over two-year horizon

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Cost Initiatives

EXITING THE DANISH MARKET

- Despite best efforts, performance in this small market has not materially improved
- Danish market was acquired for €2.5m, in a receivership process, from the former owners, in 2019
- Exiting Denmark is expected to result in \$20-26m of closure costs in FY23
- Closure will deliver \$12m in immediate earnings improvements
- Operating results for this market will be classified as 'discontinued operations' and excluded from Domino's underlying results

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OPTIMISING THE CORPORATE STORE NETWORK

- Corporate store network to reduce by ~15-20%, through the closure of underperforming stores and accelerating franchising
- Corporate store closures: ~65-70 stores (<2% of the Global network) have been identified as underperforming and are not expected to reach sustainable levels of sales or profitability in the near term and as such will close
- Corporate store franchising: Domino's will partner with experienced franchisees to franchise ~70-75 corporate stores that are in 'turnaround'
- \$50-55m non-recurring costs are anticipated as part of this initiative
- Optimisation of network expected to be completed in H1 24 <u>and deliver annualised</u> savings of \$16-20m



DELIVERING ON PLANNED COMMISSARY CLOSURES IN SOUTH-EAST ASIA AND LEGACY IT ASSETS

- Commissaries to close in Taiwan, Malaysia, Singapore, and Cambodia, improving product quality, supply chain resilience and reducing unit costs to stores
- With all geographies successfully integrating onto the new generation OLO during the year, the useful life of legacy assets has been shortened, resulting in accelerated amortisation of \$7m
- The above are expected to result in \$10-12m of non-recurring costs during FY23
- Commissary closures and the accelerated amortisation of legacy IT assets are estimated to deliver an <u>annualised saving of \$5-7m</u>

STREAMLINING CORE OPERATIONS

- Domino's is reviewing business units to identify efficiencies, including realignment of business structures, simplification of systems and removal of operational areas that are not core to our future growth
- Immediate changes include the closure of our Construction and Supply subsidiary in Australia
- Ongoing savings will increase as the streamlining continues to <u>~\$20m EBIT savings</u>
 <u>from FY25</u>
- An update on this review will be provided in August at the Full Year Announcement

Group Trading Update

GROUP TRADING UPDATE

- Same Store Sales: improved during the Second Half
 - Despite positive trends in Q4, FY23 Same Store Sales remain below the medium-term outlook of 3-6% annual growth
 - Group⁽¹⁾: H2 +0.2% | Q4 +2.0%
 - Group, excluding Taiwan⁽¹⁾: H2 +1.0% | Q4 +3.0%
- Organic store openings:
 - Organic new store openings for FY23, prior to corporate store closures, are expected to be $^{\sim}6-7\%$
 - FY24 New store openings will be below the medium-term outlook of 8-10%
 - <u>DPE's Future Outlook for network store count remains unchanged, at 7,100 stores by 2033⁽²⁾</u>

THE DOMINANT SUSTAINABLE DELIVERY QSR

IN EVERY MARKET BY

2050